PROVINCIAL AUDITOR
of Saskatchewan

June 25, 2015

The Honourable D. D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *Annual Report on Operations For the Year Ended March 31, 2015*, to be laid before the Legislative Assembly in accordance with the provisions of section 14.1 of *The Provincial Auditor Act*. The information in this report reflects known events up to June 23, 2015.

Respectfully submitted,

Judy Ferguson

Judy Ferguson, FCPA, FCA
Provincial Auditor

/cp

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Mission

To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

Vision

A valued and independent legislative audit office, inspiring and advancing excellence in public sector performance, accountability, and sustainability.

Values

We are committed to earning the respect and confidence of our stakeholders and professional colleagues. We hold ourselves individually and collectively accountable in upholding the vision, mission, and values of the Office of the Provincial Auditor.

- **Learning** – We promote and foster a creative culture that stimulates personal and professional growth.
- **Accountability** – We actively take responsibility for achieving positive results and for explaining our performance.
- **Balance** – We support harmony between work, personal life, and community involvement as we strive to balance personal and professional goals.
- **Leadership** – We lead by example and encourage open communication and teamwork.
- **Diversity** – We believe our strength rises from the diversity of our experience, knowledge, and cultural backgrounds.
- **Trust and Integrity** – We are professional, honest, courteous, and fair.
- **Innovation and Excellence** – We challenge the status quo and strive for excellence to achieve positive results.
- **Relevance** – We make a difference, serving as a catalyst for effectiveness and accountability in the public sector.
- **Independence** – We maintain our objectivity in all of our work.

We envision a transparent and accountable government delivering effective programs that meet the needs of the people of Saskatchewan.

Message from the Provincial Auditor

Message from the Provincial Auditor

For the year ended March 31, 2015, I had the privilege of serving the Legislative Assembly and the people of Saskatchewan as the Acting Provincial Auditor. I thank the staff within the Office for their support and dedication throughout this period.

During 2014-15, the Office appreciated the opportunity to provide input into the changes to *The Provincial Auditor Act* resulting from *The Officers of the Legislative Assembly Standardization Amendment Act, 2015* (which received Royal Assent on May 14, 2015). These changes respect the independence of the Office, and further enhance the accountability of the Office to the Assembly and people of Saskatchewan.

The Provincial Auditor's Office, as Saskatchewan's legislative auditor, works hard to serve the Assembly and the public. It works on behalf of the Assembly and the people of Saskatchewan to contribute to better program performance, better parliamentary control, and improved public confidence.

This Annual Report completes the accountability cycle that began when the Office tabled its *2015 Business and Financial Plan* in December 2013 which set out the Office's plans, key measures, and targets. The *2015 Annual Report on Operations* explains the Office's operational and financial performance for the year ended March 31, 2015. To provide legislators and the public with additional assurances on our performance, the report includes independent audit reports on various aspects of the Office's operations, finances, and controls.

The Operating Performance section of this Report shows that the Office met all but two of its key targets. During 2014-15, the Office issued two reports – Volume 1 and Volume 2 of the 2014 Report – which reflect the results of the hard work of the Office's staff. These Reports contain the results of audit work carried out at over 200 different entities on a broad array of subjects. They contain numerous recommendations designed to encourage improvements in government management and delivery of government programs. The Government has acted on more than 90% of the recommendations the Office has made. In addition, on an overall basis, government officials acknowledge the value of and indicate satisfaction with the Office.

However, during the year, the Office made trade-offs in that it deferred some of its management and specialized training to meet agreed upon audit deadlines. Also, for the first time in many years, the Public Accounts Committee (PAC) did not support the Office's request for resources as presented in the *2016 Business and Financial Plan;* rather, it reduced this request consistent with financial constraints placed on the Executive Government. The Office will continue to operate with fiscal prudence.

The Financial Performance section of this Report shows that the Office operated within its approved appropriation, prepared reliable financial statements, maintained effective financial-related controls, and complied with its governing authority – *The Provincial Auditor Act*.

During the year, two long-serving employees retired – Mr. Ed Montgomery, a Deputy Provincial Auditor and Mr. Glen Nyhus, a Principal. Both served the people of Saskatchewan well for over 31 years. We wish each of them a long, healthy, and happy retirement.

The Office's success depends on the efforts of many people including the expertise and professionalism of the Office's staff. We recognize the contribution of legislators, government officials, and appointed auditors to the Office's success. The Office appreciates and values the cooperation and assistance of government officials

and appointed auditors. Furthermore, the Office fully recognizes that PAC's careful public review of our reports helps ensure our work makes a difference. We thank the Committee for its attention and support in this regard.

In closing, it is with honour that I have accepted the appointment as the Provincial Auditor of Saskatchewan, effective June 1, 2015. I look forward to continuing to lead the Office and serving the people of Saskatchewan.

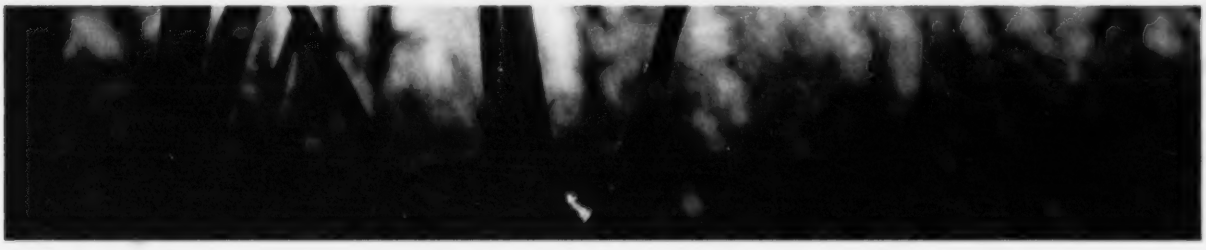
Sincerely,

Judy Ferguson

Judy Ferguson, FCPA, FCA
Provincial Auditor

The Provincial Audit Team

Understanding the Office of the Provincial Auditor



Purpose of the Office of the Provincial Auditor

For the parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, the Government's programs must be effective, open, and accountable to the public. One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources.

The Office of the Provincial Auditor contributes to the accountability process as the auditor of the Government of Saskatchewan including all of its agencies. The Office helps the Assembly hold the Government accountable for how it manages public resources. **Exhibit 1** shows the Office's outputs and outcomes.

The Office's work and reports affect public confidence in the Government. They provide legislators and the public with critical information on whether the Government's financial and other reports are reliable, whether the Government uses effective processes to safeguard the resources with which it is entrusted (public resources), and whether the Government has complied with governing authorities.

Also, the Office:

- Makes recommendations for improvements to the Government's management of public resources and compliance with authorities
- Encourages discussion and debate about public sector management and accountability issues
- Assists the Standing Committee on Public Accounts (PAC) and the Standing Committee on Crown and Central Agencies in carrying out their mandates
- Develops professionals for the public service
- Supports and adheres to the professional assurance standards as published by CPA Canada (formerly the Canadian Institute of Chartered Accountants)

The Office's work and reports contribute to informed decision making in government and business-like processes. This, in turn, helps the Government carry out its responsibility to use sound management practices.

Accountability of the Office

The Office is accountable to the Legislative Assembly through PAC. Key accountability mechanisms in *The Provincial Auditor Act* (Act) require the Provincial Auditor to:

- Prepare and submit, each year to PAC, key accountability documents – a business and financial plan and an annual report on operations that includes audited financial statements
- Present to PAC, for its review and approval, its annual funding request and supplementary estimates (if any)
- Use Canadian generally accepted auditing standards to carry out its audits
- Be a member in good standing of the Institute of Chartered Professional Accountants of Saskatchewan

The Provincial Auditor Act was amended on May 14, 2015, through *The Officers of the Legislative Assembly Standardization Amendment Act, 2015*.[1] Amendments require the Provincial Auditor to table, in PAC, the

[1] On May 14, 2015, *The Officers of the Legislative Assembly Standardization Amendment Act, 2015* received Royal Assent. This Act made various amendments to *The Provincial Auditor Act* such as adding additional accountability mechanisms, changing the appointment of the Acting Provincial Auditor, handling of suspension of the Provincial Auditor when the Assembly is not is session, and changing the term of the appointment of the Provincial Auditor from ten years to eight years (non-renewable).

Office's human resources and financial management policies, and quarterly financial forecasts. These new requirements will be implemented in 2015-16.

The Rules and Procedures of the Legislative Assembly of Saskatchewan requires PAC to review and report to the Assembly on the results of its review of the Provincial Auditor's Reports. PAC's report includes whether it agrees with the recommendations made in the Office's reports.

Auditor Independence

Auditor independence is critical for a successful legislative audit regime. Auditor independence allows auditors to exercise objectivity – to not be compromised by bias, conflict of interest, or undue influence of others. Independence also enhances professional skepticism (i.e., appropriate challenge of management's assertions).

To achieve auditor independence, the Provincial Auditor, the Office, and its staff must be independent of the Government and be able to exercise that independence – they must be able to make decisions without being affected by influences that would compromise their judgment.

The Provincial Auditor Act provides the legislative framework for the independence of the Office and its staff.

- The Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor with the responsibility to audit all government agencies and report the results directly to the Legislative Assembly.
- The Act ensures the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards.

  PAC, an all-party committee that does not include Cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for a specified term (an eight year non-renewable term).[2] The Act sets the Provincial Auditor's salary and benefits.

  A resolution of the Legislative Assembly is required to remove the Provincial Auditor from office for cause.

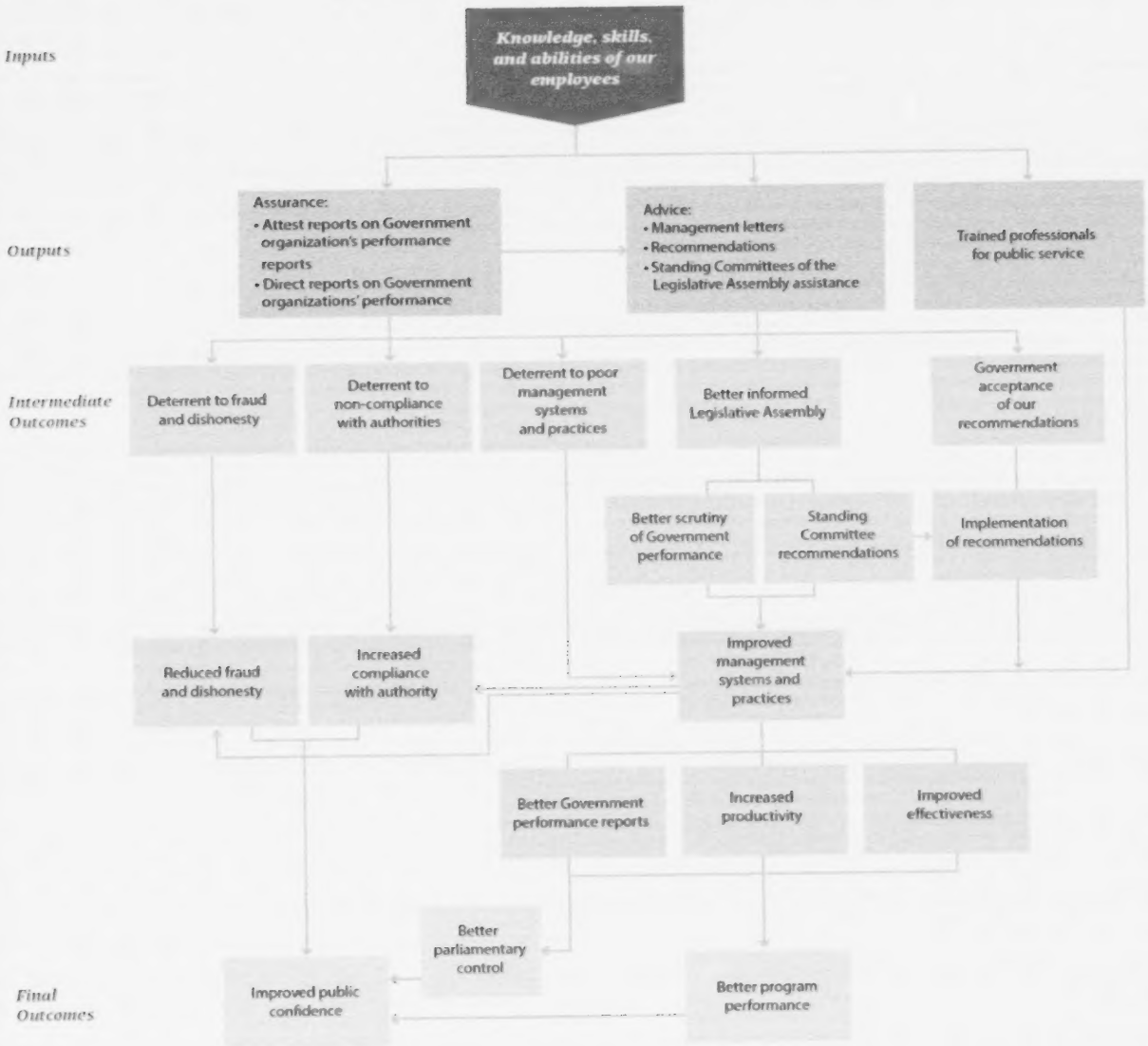
  The Act makes the employees of the Office part of the Legislative Branch of the Government and not members of the public service of Saskatchewan.
- The Act also requires PAC to review the Office's annual *Business and Financial Plan* and recommend the annual funding for the Office.

  The Act gives the Provincial Auditor managerial independence – the power to administer, manage, and control the Office and general business of the Office, and oversee and direct the Office's staff. This includes deciding which employees to hire and at what rate, what audit work needs to be done, and how the work is carried out.

The Office has put into place additional safeguards to enable staff to act with integrity and exercise objectivity and professional skepticism.

[2] Effective May 14, 2015, through *The Officers of the Legislative Assembly Standardization Amendment Act, 2015*, the term of the Provincial Auditor was changed to eight years (non-renewable) from ten years.

Exhibit 1—***The Impact of the Office's Work***



Maintaining Effective Systems and Practices

Sound risk management and effective systems and practices are essential for the Office's management and use of public resources. As part of risk management, the Office identifies and assesses the possible adverse consequences that it may experience from events or circumstances. Because it is not cost effective to have no risks, the Office accepts some. It uses established systems and practices to reduce those risks to an acceptable level and implements strategies to manage residual risks.

The Office maintains strong systems and practices supported by policies and procedures so that:

- The Office provides quality services and products at a reasonable cost
- The Office's work is relevant – it assists in strengthening and advancing the Government's ability to achieve intended results
- The scope of the Office's work covers all government agencies accountable to the Legislative Assembly and the people of Saskatchewan
- Stakeholders understand and value the Office's work

The following briefly describes the Office's key systems and practices for each of these areas.

Quality Work at a Reasonable Cost

Doing independent, reliable, and quality work at a reasonable cost is vital to the Office's success. These attributes are also essential for the Office's stakeholders to value its work. The Office must understand the challenges that the Government faces. Also, its work must help improve the performance of government programs.

The Office keeps abreast of changes to and complies with the accounting and auditing profession's generally accepted standards of practice. The objective of these standards is to maintain and enhance the quality of audit work.

The Office's established system of quality control includes documented quality control policies and procedures. This system includes the following elements: leadership responsibilities for quality within the Office, ethical requirements, acceptance of specific assurance work, human resources, engagement performance, and monitoring.

The Office's quality control system promotes recognition that quality is essential in audit work. It helps ensure the Office and staff comply with professional standards and legal requirements. It also ensures that the Office's audit reports are appropriate. The Office's internal documentation, training materials, and staff appraisal procedures makes certain staff are aware of and adhere to the Office's quality control policies and procedures, and reinforce the view that quality is essential in its audit work.

The Office closely monitors its independence and reports to the Assembly when it is concerned about threats to its independence. It has processes to maintain objectivity and independence in its work. Accordingly, the Office asks staff to confirm annually, in writing, that they comply with its objectivity and independence standards. The Office has policies to change senior staff on significant audits at reasonable intervals.

Having skilled legislative auditors is essential to quality audits. The Office maintains hiring, training, and performance evaluation policies. These help the Office attract and retain staff with the required knowledge and expertise, provide staff with the necessary knowledge, skills, and abilities to do their work, and provide compensation competitive with the Government. These policies also help the Office broaden staff skills in key sectors (e.g., health, education, and social services), information technology, and general management.

Also, because the quality and cost of its work is directly related to its employees' productivity, the Office actively plans for the use of its employees' time and monitors their use of time. It compares planned to actual results, and explains and acts on differences. It plans for and manages staff turnover. Also, it monitors its employees' views of the Office's working environment so that it provides a positive and respectful working environment and one that fosters a culture consistent with the Office's values.

The Office's established management practices promote effective use of resources. These practices include setting direction, setting performance targets, monitoring values, training staff, maintaining procedural manuals, delegating authority, processing transactions, and monitoring and reporting results.

In addition, the Office uses standard methods for carrying out its work and continually changes its methods to reflect best practice. To identify best practice, it continually compares its methods with other legislative auditors and private sector auditors. Its methods cover how it plans, executes, supervises, reviews, and reports its work. It monitors all of its work so that the work meets its standard methods. Also, it has well-defined procedures for working with other auditors who audit government agencies (private sector auditors).

The Office's reporting processes help ensure it reports its work by established deadlines and within the planned costs set out in its annual business and financial plan. The Office tracks, monitors and forecasts the cost of each audit. It explains and acts on differences between planned and actual cost. It also routinely compares its costs with private sector auditors' costs to audit government agencies.

It maintains effective financial management systems and practices including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates incompatible duties.

Consistent with prior years, the Office's auditor has concluded that the Office's financial-related controls were effective and that it complied with provisions of *The Provincial Auditor Act*. (See the **Financial Performance** section for details.) These reports provide the Legislative Assembly with assurance that the Office is fulfilling its responsibilities.

Relevant Work

The Office sets goals and objectives that will result in relevant assurance and advice for its stakeholders. The Office maintains a **five-year strategic plan** that includes goals, objectives, and general strategies along with forces and trends that affect what it does. The strategic plan provides a foundation for developing the Office's annual business and financial plans provided to the Standing Committee on Public Accounts.

To help direct its efforts toward relevant issues, the Office's planning processes seek external input. They include identifying external forces, emerging trends, and risks, and assessing their impact on the Office and its plans.

How the Government manages its risks affects the nature and extent of the Office's work. The Office uses a risk-based model to focus its work. The Office focuses its efforts on helping its stakeholders address the challenges and opportunities emerging from external forces and trends.

The Office's reporting processes include reporting its assurance and advice directly to the Legislative Assembly and the Government. Its reports contain the matters that, in the Office's view, are significant to the Assembly and the public.

Before submitting its Reports to the Assembly, the Office prepares and discusses the results of each audit with the applicable agency. This includes meeting with agencies to confirm the findings and gain support for its recommendations. When deciding what to report, the Office considers whether the matter:

- Affects the Assembly's ability to control the financial activities of the Government or to hold the Government accountable for how it administers public money
- Involves improving how the Government administers public money or its compliance with legislative authorities
- Involves non-compliance with legislative authorities

At the end of each audit, it issues a final report to the Minister responsible, senior officials of the agency and, if applicable, the chair of the governing body (e.g., board) with a copy to the Chair and Secretary of Treasury Board and to the Provincial Comptroller.

The Office uses surveys to assess management's satisfaction with the Office's work. It also continuously seeks advice from stakeholders when it works with appointed auditors.

Scope of Work

As part of its annual business and financial planning process, the Office prepares an annual work plan that covers all government agencies. Because the Legislative Assembly, Cabinet, and government agencies create or wind up other government agencies, the Office monitors their actions and continually changes its list of government agencies. It estimates the costs of carrying out the work plan and asks the Assembly for the money to carry out the plan.

Stakeholders Understand and Value Work

Gaining and keeping the trust of legislators and the public is essential to the viability of the Office. The Office must provide independent, relevant, and reliable information that is consistent with legislators' objectives. To do this, the Office works closely with the following legislative committees:

- **The Standing Committee on Public Accounts** (PAC) is the audit committee for the Legislative Assembly. PAC is a key agent of change for improving the Government's management of public resources. PAC's mandate is to help the Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public resources. PAC reviews, examines, and evaluates the activities of government ministries and Crown agencies. PAC works with the Office to carry out PAC's mandate.
- **The Standing Committee on Crown and Central Agencies** (CCAC) helps the Legislative Assembly hold the Government accountable for its management of public resources related to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries, supply and services, central agencies, liquor, gaming, and all other revenue-related agencies and entities. CCAC reviews parts of the Office's reports related to CIC and its subsidiaries. During its reviews of the Office's reports, CCAC works with the Office to carry out CCAC's mandate.

The Office has processes to prepare reliable plans and performance reports. These documents convey vital information about the Office. It uses its plans and reports to communicate to its stakeholders who it is, its plans, the results of its work, and its performance. It seeks and monitors the views of its stakeholders on its plans and performance. Each year, it provides the Assembly with its annual business and financial plan and an annual report on operations. PAC reviews and provides its advice on these reports.

To fulfill its statutory duties, the Office needs sufficient resources to employ competent people. It also needs enough resources to equip, support, and house its employees. It needs the support of legislators to get the required resources. To gain this support, the Office has established processes to ensure that its work is both relevant to legislators and reliable. Also, it publishes a business and financial plan and an annual report on operations to build legislators' support for its request for resources. When it does not have enough resources to pay for the cost of its workforce, it reduces the size of its staff. When this happens, it does not do all the work the law requires it to do and it advises its stakeholders.

The Office uses processes to report its assurance and advice to the Legislative Assembly and its other stakeholders in a clear, accessible, and timely manner. It monitors legislators' and the Government's acceptance of its recommendations and has processes to follow up unimplemented recommendations. It

makes its plans and reports readily accessible to legislators, the public, and government officials. It monitors the use of its reports (e.g., by legislators, legislative committees, and the public).

Operating Performance

Management Discussion and Analysis

Background for Measuring the Office's Performance

The Office has the following three basic outputs (services) as explained in its *2015 Business and Financial Plan* and reflected in **Exhibit 1 – The Impact of the Office's Work** – assurance (audit reports), advice, and trained professionals for public service.

The Office provides assurance by way of reports on the reliability of financial statements, compliance with authorities, and the effectiveness of management systems and practices on the Government, sectors of the Government, and on each government agency. The Office's advice is a by-product of its assurance work. The Office provides assurance and advice to:

- Government officials by way of letters setting out its conclusions, findings, and recommendations for improvement.
- The Legislative Assembly and the public in its public reports to the Assembly. These reports summarize its work at government agencies.

As shown in **Exhibit 1 – The Impact of the Office's Work**, the Office's assurance and advice results in two final outcomes. These outcomes are improved public confidence in government and better performance in the delivery of government programs. The Office also thinks the Government can improve the delivery of its programs by acting on the Office's recommendations.

The Office's employees are its most valuable resource because the quality and timeliness of its work depends on their knowledge, skills and professionalism. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to its success. At March 31, 2015, the Office employed 64 people (during 2015, 61 full-time equivalent positions). Forty-one of its employees are professional accountants and fourteen are training to become professional accountants.

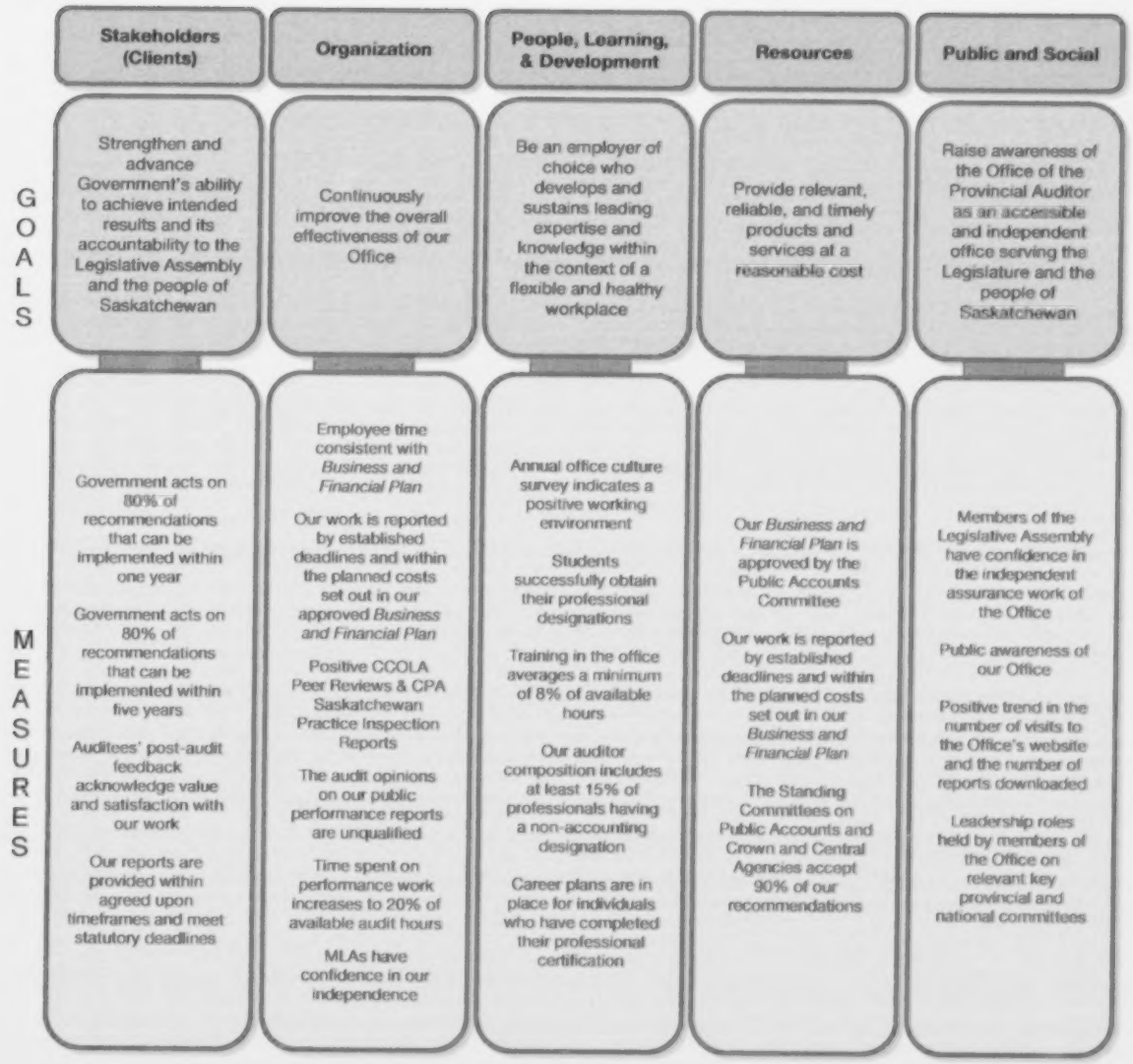
The Office trains professionals for the public service (primarily professional accountants). During the year ended March 31, 2015, three employees who left the Office accepted public sector positions. Their experience with the Office provides them with a strong foundation to contribute to improved management systems and practices in those agencies.

2015 Balanced Scorecard Results

Introduction

The Office uses a balanced scorecard approach to measure its success in achieving its goals and objectives – this approach is widely used in the public sector. As reflected in its *Business and Financial Plan*, it has set measures for each of the five perspectives of the balanced scorecard: stakeholders (clients); organization; people, learning and development; resources; and public and social (refer to **Exhibit 2 – 2012 to 2017 Balanced Scorecard**).

Exhibit 2—2012 to 2017 Balanced Scorecard


Stakeholders (Clients)
Organization
People, Learning, & Development
Resources
Public and Social
GOALS
Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan
Continuously improve the overall effectiveness of our Office
Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace
Provide relevant, reliable, and timely products and services at a reasonable cost
Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan
MEASURES
Government acts on 80% of recommendations that can be implemented within one year
Government acts on 80% of recommendations that can be implemented within five years
Auditees' post-audit feedback acknowledge value and satisfaction with our work
Our reports are provided within agreed upon timeframes and meet statutory deadlines
Employee time consistent with Business and Financial Plan
Our work is reported by established deadlines and within the planned costs set out in our approved Business and Financial Plan
Positive CCOLA Peer Reviews & CPA Saskatchewan Practice Inspection Reports
The audit opinions on our public performance reports are unqualified
Time spent on performance work increases to 20% of available audit hours
MLAs have confidence in our independence
Annual office culture survey indicates a positive working environment
Students successfully obtain their professional designations
Training in the office averages a minimum of 8% of available hours
Our auditor composition includes at least 15% of professionals having a non-accounting designation
Career plans are in place for individuals who have completed their professional certification
Our Business and Financial Plan is approved by the Public Accounts Committee
Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan
The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations
Members of the Legislative Assembly have confidence in the independent assurance work of the Office
Public awareness of our Office
Positive trend in the number of visits to the Office's website and the number of reports downloaded
Leadership roles held by members of the Office on relevant key provincial and national committees

The following compares the Office's actual results to planned (target) by each perspective for each measure of success towards meeting its goals. It should be read with the audited **Schedule of Performance Information for Key Performance Measures**.

Consistent with prior years, the Office's auditor has reported in the **Independent Auditor's Report on the Schedule of Performance Information for Key Performance Measures** that the Office's performance information was relevant, reliable, and understandable.

Stakeholders (Clients)

The Office's primary clients are the members of the Legislative Assembly and the people of Saskatchewan. Its other clients are public sector ministries and agencies.

The Office measures its success in strengthening and advancing Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan using the following measures:

- Government acts on the Office's recommendations
- Agencies' value of and satisfaction with the Office's work
- Timely assurance on reports to agencies

Government Acts on the Office's Recommendations

Rationale and description of measure: The Office makes recommendations to help improve the Government's performance reports (e.g., financial statements) and its delivery of programs. The extent to which the Government acts on recommendations demonstrates its level of acceptance of the Office's recommendations. The Office groups its recommendations into two types:

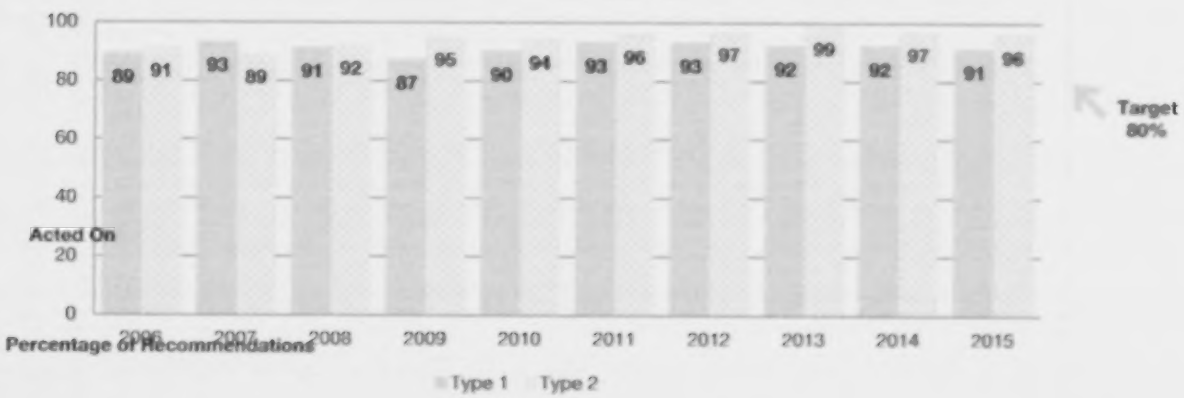
- **Type 1** recommendations are those that are easier to carry out and can be implemented in one year; these are tracked over a five-year period (e.g., April 2010 to March 2015 for the current reporting period)
- **Type 2** recommendations are those that are more difficult to carry out and can be implemented in five years; these are tracked over a 10-year period (e.g., April 2005 to March 2015 for the current reporting period)

The Office made 236 Type 1 and 299 Type 2 recommendations during the current reporting period.

Target: The Government acts on 80% of the Office's Type 1 recommendations, and acts on 80% of the Office's Type 2 recommendations.

2015 Results: Target met – In 2015, the Office achieved each target in that the Government acted on more than 80% of both Type 1 (actual – 91%) and Type 2 recommendations (actual – 96%). **Exhibit 3 – Percentage of Recommendations Acted on by the Government from 2006 to 2015** shows the 10-year trend of percentage of recommendations acted on by the government.

Exhibit 3—Percentage of Recommendations Acted on by the Government from 2006 to 2015



Agencies' Value of and Satisfaction with the Office's Work

Rationale and description of measure: For the past 17 years, the Office has surveyed the agencies it audits to obtain feedback on their satisfaction with the Office's work. The Office tracks post-audit feedback over a five-year period. Since 2014, the survey asks agencies to:

1. Acknowledge the value of the Office's work related to whether:
   - Reports to the agency's Minister were understandable, accurate, and relevant (reports)
   - Recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations)
2. Indicate their level of satisfaction with the Office's work related to whether:
   - Planned work for the agency met its needs and that the Office carried out its work according to the plan (responsiveness)
   - Office employees were knowledgeable and carried out their work professionally and courteously (professionalism)

During the five-year period of April 2010 to March 2015, 54% of agencies responded to the Office's survey (149 responses out of 276 surveys sent) (2014 response rate: 49%).

Target: Post-audit feedback shows agencies acknowledge the value of and indicate satisfaction with the Office's work.

2015 Results: Target met – As set out in **Exhibit 4 – Agencies' Value of and Satisfaction with the Office's Work from 2011 to 2015**, survey responses indicate agencies value and are satisfied with the Office's audit work.

Exhibit 4—Agencies' Value of and Satisfaction with the Office's Work from 2011 to 2015

Criteria	2011	2012	2013	2014[1]	2015
Responsiveness	satisfied	satisfied	satisfied	satisfied	very satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very satisfied	very satisfied	very satisfied	very valuable	very valuable
Recommendations	very satisfied	very satisfied	very satisfied	very valuable	very valuable

[1] 2014 was the first year that the Office surveyed government agencies about the value of its work in addition to satisfaction with its work.

Timely Assurance on Reports to Agencies

Rationale and description of measure: To have confidence in reported information, legislators and the public need timely assurance that the Government's reports are reliable. Also, providing agencies with reports on their financial statements on a timely basis assists agencies in meeting their statutory tabling deadlines.

The Office tracks the timeliness of its reports to government agencies as compared to planned dates. Planned dates are the dates that the Office agreed to provide its reports to government agencies.

Target: The Office provides its reports to the Legislature and government officials within agreed upon timeframes.

2015 Results: Target generally met – The Office provided 85% of its reports to government agencies by the agreed upon dates (2014 – 87%; 2013 – 85%). It continues to work on improving the timeliness of its issuance of reports (management letters) to agencies. As mentioned previously, responses to its survey of government agencies reflect agencies are satisfied with the responsiveness of the Office's work.

Of the 256 agencies the Office audited in 2015, 10 agencies did not table their financial statements with the Legislative Assembly within the timeframe required by legislation (2014 – 13; 2013 – 5). These delays were not attributable to the Office's work.

Organization

The successful performance of the Office is achieved through a sound organizational structure, strong governance, strong management, strong technical knowledge, and efficient administrative support.

The Office has a Support Services Division and four operating divisions – Health, Finance, Education, and Environment and Infrastructure each with an assigned portfolio.

The Office measures its success in effectively allocating its resources to best serve the Legislature and the public by monitoring the proportion of time spent on all of its products and services, including performance work. It uses the following measures:

- Use of employee time is consistent with the *Business and Financial Plan*
- Proportion of time spent on performance work increases
- Work is completed as planned
- Positive CCOLA Peer Reviews on the Office's work
- Positive CPA Saskatchewan Practice Inspection Reports on the Office's work
- Unqualified audit opinions on the reliability of the Office's financial statements and its key non-financial performance indicators, effectiveness of financial controls, and compliance with *The Provincial Auditor Act*

Use of Employee Time is Consistent with Business and Financial Plan

Rationale and description of measure: To manage the Office's largest cost (salaries), it uses its employees' time according to the planned time set out in its annual *Business and Financial Plan*. The Office tracks how employees spend their time and compares the actual percentage of employee time spent to planned time by work tasks.

Target: The Office uses employees' time consistent with planned time as set out in the annual *Business and Financial Plan*.

2015 Results: Target met – As shown in the audited **Schedule of Actual Time Spent on Tasks**, actual audit working hours are generally used as planned.

The **Schedule of Actual Time Spent on Tasks** compares the actual use of the Office's employees' time with its planned use. The actual information for 2013, 2014, and 2015 is audited. The Office's auditor reported in the **Independent Auditor's Report on the Schedule of Actual Time Spent on Tasks** that the information is reliable. Significant differences between planned and actual time are explained in the footnotes to the **Schedule of Actual Time Spent on Tasks**.

Proportion of Time Spent on Performance Work Increases

Rationale and description of measure: Performance work includes audits that take a more in-depth look at management issues related to management of public resources or compliance with legislative authorities. The Office tracks the proportion of time spent on performance work.

Target: Proportion of time spent on performance work increases year-over-year toward the *2012-2017 Strategic Plan* target of 20% of available audit hours.

2015 Results: Target met – The Office spent 20% of available audit hours on performance work as compared to 19% in 2014.

Work is Completed as Planned

Rationale and description of measure: The Office wants to provide relevant, reliable, and timely products and services at a reasonable cost. The Office tracks the timeliness of its reports to the Legislative Assembly and to government agencies. Also, the Office tracks the planned and actual costs to audit each government agency each year.

Target: The Office reports its work by established deadlines and within the planned costs as set out in its approved *Business and Financial Plan*.

2015 Results: Target met – The Office completed the majority of its work as set out in its *2015 Business and Financial Plan*. The Office tabled its *2014 Report – Volumes 1* and *2* to the Legislative Assembly within expected timeframes. It also reported its audit conclusions, findings, and recommendations to each government agency.

The audited **Schedule of Actual Costs to Audit Government Agencies** compares the Office's actual costs to examine government agencies for years ending in the period January 1, 2014 to December 31, 2014 with its planned costs. In the **Independent Auditor's Report on the Schedule of Actual Costs to Audit Government Agencies**, the auditor reported that the actual cost information is reliable.

The Office completed most of its work within its planned costs. Significant differences between planned and actual costs are explained in the footnotes to the **Schedule of Actual Costs to Audit Government Agencies**.

Positive CCOLA Peer Reviews on the Office's Work

Rationale and description of measure: On a voluntary basis, the Office participates in the Inter-jurisdictional Peer Review Process of the Canadian Council of Legislative Auditors (CCOLA). Every second year, it asks another legislative audit office to review a number of its audit files to determine whether its audit work complied with generally accepted auditing standards published by CPA Canada (professional standards).

Target: CCOLA peer review results report that the Office's audit work complied with professional standards.

2015 Results: Not measurable for current year – The Office has requested to be reviewed in the fall of 2015. The Office of the Auditor General of Canada carried out the last review in 2013; it reported that the Office's work complied with professional standards based its review of two of the Office's performance audit files.

Positive CPA Saskatchewan (formerly ICAS) Practice Inspection Reports on the Office's Work

Rationale and description of measure: CPA Saskatchewan periodically inspects the Office to determine whether it complies with professional standards and meets the requirements for Chartered Accountant training offices (CATO).

CPA Saskatchewan revised its practice inspection process and its reporting on the results of inspections since its last practice inspection of the Office in 2012. As a result, the Office will need to revise its measure and target in the future. It plans to do this as part of its fall 2015 strategic planning activities.

CPA Saskatchewan completed a practice inspection in early 2015.

Target: CPA Saskatchewan practice inspector's results report that the Office complied with professional standards and met the requirements for CATO. (See above comments.)

2015 Results: While the 2015 CPA Saskatchewan practice inspection identified some matters that require the Office's attention, it did not identify any deficiencies that indicate a potential risk to the public.

***Unqualified audit opinions on the reliability of the Office's financial statements and its key non-financial performance indicators, effectiveness of financial controls, and compliance with* The Provincial Auditor Act**

Rationale and description of measure: The Assembly requires an annual audit of the Office by an auditor who is independent of the Office. This auditor has the same audit responsibilities as the Office. Each year, this auditor provides the Assembly with his/her opinion on the following:

- The reliability of the Office's financial statements
- The effectiveness of the Office's financial controls
- The Office's compliance with *The Provincial Auditor Act*
- The reliability of the Office's key non-financial performance indicators

Target: The external auditor, independent of the Office, provides unqualified opinions for each of the above areas and does not have any significant matters to report to the Assembly.

2015 Results: Target met – The external auditor, independent of the Office, reached unqualified opinions for all of the above areas, and had no significant matters to report to the Assembly.

The external auditor reports the following:

- The Office's 2014-15 financial statements are reliable, it complied with *The Provincial Auditor Act*, and it had effective financial management systems and practices as set out in the **Independent Auditors' Report on the Financial Statements**, the **Independent Auditors' Report on Compliance with Authorities**, and the **Independent Auditors' Report on Effectiveness of Financial-Related Controls**
- The Office's performance information is reliable as set out in the **Independent Auditors' Report on the Schedule of Performance Information for Key Performance Measures**
- There are no significant matters to report to the Assembly as set out in the **Independent Auditor's Report of Significant Matters**

People, Learning, and Development

It is important that the Office retains employees with strong management skills and technical knowledge to ensure it has the right balance of skills, knowledge, and expertise to effectively deliver its products and services.

The Office measures its success in being an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace using the following measures:

- Employees' satisfaction with their working environment
- Students' success in obtaining their professional designations
- Proportion of time spent on training
- Skill mix of auditor composition

The Office's five-year strategic plan contemplates the development of career plans for individuals who have completed their professional designation/certification. The 2013 resignation of the Provincial Auditor delayed actions to implement this measure. The Office will reevaluate this area and measure in its fall 2015 strategic planning.

Employees' Satisfaction with their Working Environment

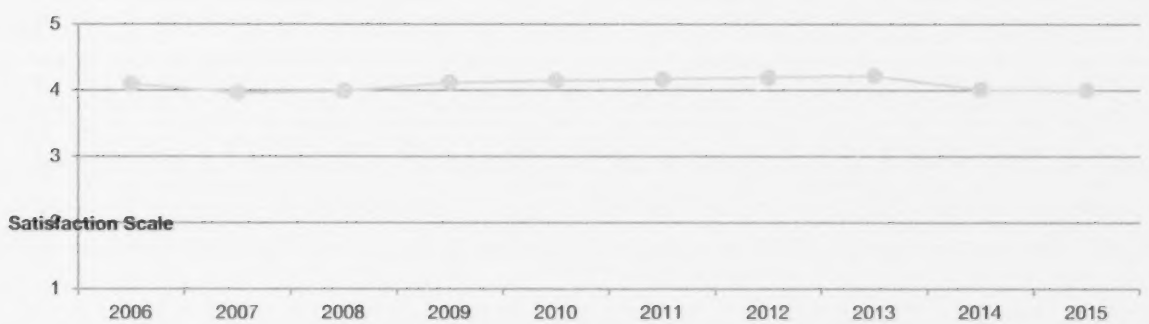
Rationale and description of measure: A good working environment for employees assists with employee productivity and retention. Since 1994, the Office has surveyed employees on satisfaction annually. The survey provides employees with an opportunity to express their level of satisfaction on 11 key indicators of the Office's working environment. The survey uses a rating scale of one through five where five is the most positive response.

Target: Survey results show a positive level of satisfaction with the Office's working environment.

2015 Results: Target met – Employee satisfaction remained positive over the past year.

In 2015, 89% of staff responded to the survey (2014 – 82%). **Exhibit 5 – Cumulative Average Response for All Indicators of Employee Satisfaction from 2006 to 2015** shows employee satisfaction has remained stable over the last 10 years.

Exhibit 5—Cumulative Average Response for All Indicators of Employee Satisfaction from 2006 to 2015



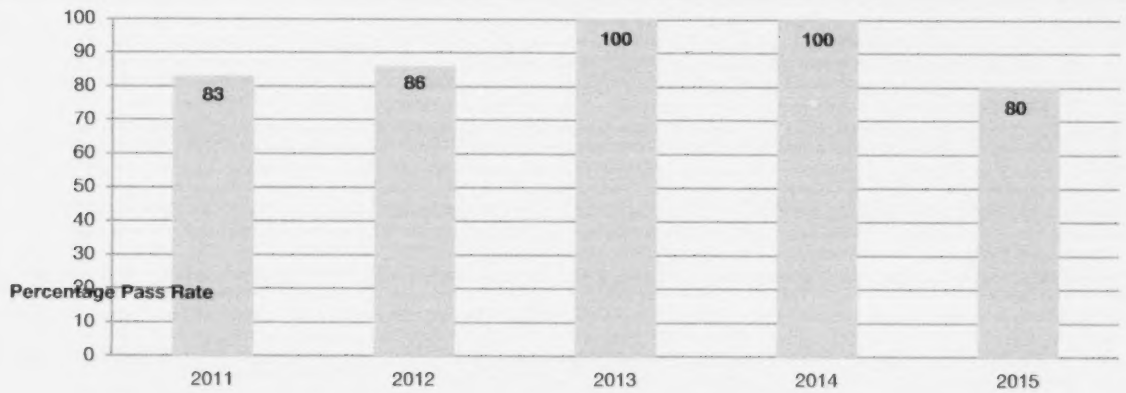
Students' Success in Obtaining their Professional Designations

Rationale and description of measure: To provide quality work at a reasonable cost, the Office develops and trains people who want to become professional accountants (i.e., obtain an accounting professional designation). Each year, it tracks the number of students who challenged the uniform final examinations (UFE) for the Chartered Accountancy designation and are successful. In 2015, five students challenged the exam (2014: two students).

Target: Majority of the Office's students successfully obtain their professional accounting designation.

2015 Results: Target met – in 2015, 80% of the Office's students who challenged the UFE were successful. **Exhibit 6 – Provincial Auditor's Office Pass Rate for the UFE from 2011 to 2015** shows over the last five years, a strong majority of the Office's students successfully challenged the UFE.

Exhibit 6—Provincial Auditor's Office Pass Rate for the UFE from 2011 to 2015



Proportion of Time Spent on Training

Rationale and description of measure: To maintain staff competencies and its status and abilities as a training office for legislative auditors, the Office needs to allocate sufficient resources for training activities. The Office tracks the time employees spend on training activities.

Target: Time spent on training activities averages a minimum of 8% of available working hours.

2015 Results: Target not met – The **Schedule of Actual Time Spent on Tasks** shows that the Office spent 6% of available working hours on training activities. During 2015, some management and specialized training was deferred to meet audit deadlines. Also, in 2015, staff accessed some specialized training via webinar or offered in Saskatchewan thereby decreasing travel time to attend training events.

Skill Mix of Auditor Composition

Rationale and description of measure: To have the right balance of skills, knowledge, and expertise to effectively deliver its products and services to its stakeholders, the Office needs professional staff with a mix of financial-related and non-financial related skills. The Office tracks the professional designations of its audit staff.

Target: At least 15% of professionals have a non-accounting designation or a designation in addition to an accounting designation.

2015 Results: Target met – At March 31, 2015, 31% of the Office's professional employees have a non-accounting designation (2014 – 30%).

The majority of the Office's professional audit employees (i.e., not including students training to become accounting professionals) have an accounting designation. Eleven of these professional accountants also have a non-accounting designation. The Office has two non-accountant professional audit staff. In addition to accounting designations (CPA), the non-accounting designations held by the Office's employees include Certified Internal Auditor, Certified Information Systems Auditor, Pension Plan Administration Certificate, law degree, Masters of Public Administration, and Certification in Risk Management Assurance.

Resources

The Office measures its success in providing relevant, reliable, and timely products and services at a reasonable cost using the following measures:

- Approval of annual *Business and Financial Plan*
- Completion of work as planned
- Assembly's acceptance of the Office's recommendations

Approval of Annual Business and Financial Plan

Rationale and description of measure: The approval of the Office's *Business and Financial Plan* each year by the Standing Committee on Public Accounts (PAC) is an indication of the Assembly's confidence in and satisfaction with the Office's work.

As required by *The Provincial Auditor Act,* the Office, through its annual *Business and Financial Plan*, gives PAC its estimates of the money necessary to fulfill its responsibilities for the upcoming year. PAC reviews the estimates and may either make any alterations to the estimates the Committee considers appropriate, or approve the estimates as presented.

Target: PAC approves the Office's annual *Business and Financial Plan* as presented.

2015 Results: Target not met – On January 14, 2015, PAC passed a motion to approve the Office's request for resources as set out in its *2016 Business and Financial Plan.* On February 12, 2015, PAC rescinded its January 2015 motion and approved a reduction to the Office's budget of 1%.

Completion of Our Work as Planned

As previously discussed in the **Organization** section, the Office tracks the timeliness of its reports to the Assembly and government agencies. Refer to **Organization – Work is Completed as Planned** for 2015 results.

Assembly's Acceptance of the Office's Recommendations

Rationale and description of measure: In its reports to the Assembly, the Office makes recommendations to improve accountability and the delivery of government programs. Through *The Provincial Auditor Act,* the Assembly refers the Office's reports to PAC and CCAC for their review and consideration. As part of this consideration, these Committees decide whether they accept (i.e., concur with) the Office's recommendations.

The Committee's support of the Office's recommendations is critical to help hold the Government accountable and help improve accountability and the delivery of government programs.

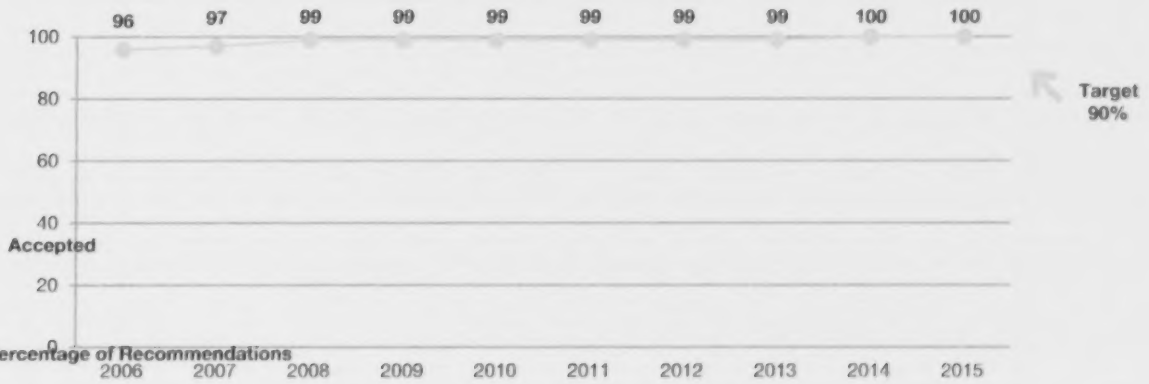
The Office tracks its recommendations to the Assembly and, using the Committees' reports to the Assembly, the Committees' consideration of those recommendations over a five-year period (e.g., from 2011 to 2015 for the current reporting period).

The last PAC report to the Assembly related to its review of the Office's reports and recommendations was September 6, 2011; the last CCAC report to the Assembly related to its review of the Office's reports and recommendations was August 23, 2007.

Target: PAC and CCAC accept 90% of the Office's recommendations that they consider and report on to the Assembly.

2015 Results: Target met – For 2015, **Exhibit 7 – Percentage of Recommendations Considered and Accepted by Legislative Committees in their Reports to the Legislative Assembly from 2006 to 2015** shows that the Committees accepted, or partly accepted, 100% of the Office's recommendations that they considered and reported on to the Assembly. Exhibit 7 shows that the Office achieved its target every year for the past 10 years. However, the Office recognizes that this information may not show an accurate picture of the Committee's views in that as of March 31, 2015, these committees have only reported on 13.8% of the recommendations the Office has made in the last five-year period (i.e., 110 recommendations out of 796 recommendations made). The Office is encouraging the Committees to provide their reports to the Assembly. In addition, the Office plans to reevaluate this measure in its fall 2015 strategic planning.

Exhibit 7—Percentage of Recommendations Considered and Accepted by Legislative Committees in their Reports[1] to the Legislative Assembly from 2006 to 2015



[1] PAC tabled its *Third Report of the 26th Legislature* on September 6, 2011. (Refer to the Office's *2014 Report – Volume 2*, Chapter 56). CCAC tabled its *Tenth Report of the 25th Legislature* on August 23, 2007. (Refer to the Office's *2015 Report – Volume 1*, Chapter 33).

Public and Social

The Office's primary clients are the members of the Legislative Assembly and the people of Saskatchewan. As such, it is important legislators and the people of Saskatchewan are aware of and understand the independent role of the Office. The Office measures its success in raising awareness using the following measures:

- Members of the Legislative Assembly's confidence in the independent work of the Office
- Public awareness of the Office

- Use of the Office's website
- Leadership roles on provincial and national committees

Members of the Legislative Assembly's Confidence in the Independent Work of the Office

Rationale and description of measure: To provide the Assembly with objective and credible work, the Office and its staff must be independent from elected and appointed officials and from the agencies it audits. To monitor independence and objectivity as required by the standards for the accounting and auditing profession, the Office requires all employees to confirm annually whether they have interests in or relationships with the Government or its officials that could affect their independence and objectivity or could be perceived to do so. It then takes actions either to reduce or eliminate those threats.

Target: Potential threats to the independent work of the Office are effectively managed.

2015 Results: Target met – As required by *The Provincial Auditor Act*, the Office conducted its work in an independent and objective manner and effectively managed all threats to independence (e.g., staff was not assigned to engagements where a relationship existed).

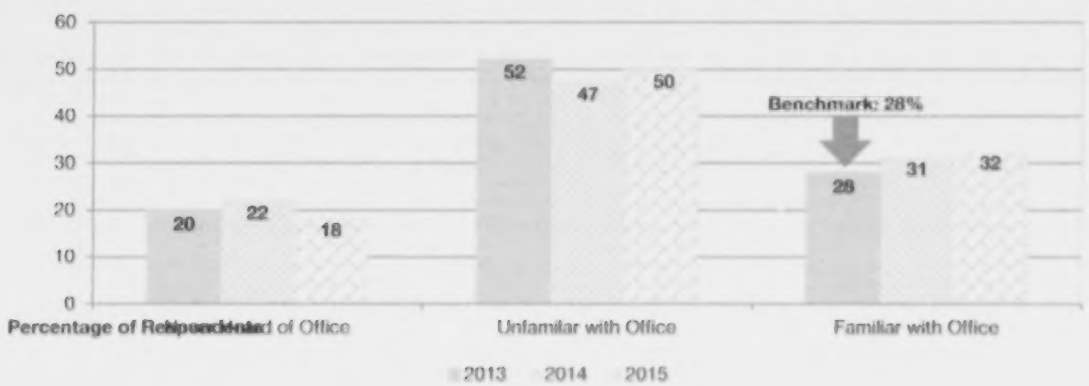
Public Awareness of the Office

Rationale and description of measure: As key stakeholders in the results of the Office's work, it is important that the public is aware of the Office's work and the role of the Provincial Auditor as an independent Officer of the Legislative Assembly. To measure the public's awareness of the Office, the Office periodically participates in an Omnibus survey of Saskatchewan residents. The survey asks participants how familiar they are with the Office of the Provincial Auditor. 800 residents of Saskatchewan responded to the survey question in 2015 (2014: 803 residents).

Target: The public's awareness of the Office is at least consistent with the 2013 benchmark where 28% of respondents indicated they had some familiarity with the Office.

2015 Results: Target met – The survey, conducted in February 2015, indicated that 32% of respondents had some familiarity with the Office (2014 – 31%). **Exhibit 8 – Public Awareness of the Office from 2013 to 2015** shows that the level of public awareness of the Office has remained relatively stable over the last three years.

Exhibit 8—***Public Awareness of the Office from 2013 to 2015***



Use of the Office's Website

Rationale and description of measure: The Office uses its website, www.auditor.sk.ca, as one way to communicate the results of its work to its stakeholders. The Office tracks the number of visits made to the website. During 2015, the Office began tracking the number of public reports downloaded from the Office's website.

Target: Stable or positive trends in number of site visits and reports downloaded. The 2014 results of 13,191 site visits to the Office's website provides the benchmark.

2015 Results: Not measurable given it is only year two of tracking – During the period of April 1, 2014 to March 31, 2015, there were 11,678 site visits to the Office's website. Of those site visits, 56% were new visits and 44% were return visits. The 2015 results reflect an 11% decrease in site visits compared to 2014.

Leadership Roles on Provincial and National Committees

Rationale and description of measure: One way to both raise the awareness of the Office and to broaden the knowledge and skills of the Office is for members of the Office to participate and hold leadership roles on relevant provincial and national committees (such as professional accounting and assurance bodies, and legislative audit forums).

To support the development and sharing of best practices in our professions, our Office supports employees' participation on several provincial and national committees.

Target: Employees' hold leadership roles on relevant provincial and national committees.

2015 Results: Target met – During 2015, 14 employees were involved in 20 national and six provincial committees/boards. Organizations where our employees are involved in leadership roles include the Canadian Council of Legislative Auditors, Institute of Internal Auditors of Canada, Chartered Professional Accountants of Saskatchewan, CCAF-FCVI Inc., and the Saskatchewan Association of Human Resource Professionals.

Independent Auditors' Report on the Schedule of Actual Time Spent on Tasks

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Time Spent on Tasks of the Office of the Provincial Auditor for the year ended March 31, 2015, which is prepared in accordance with the principles as set out in the notes to the schedule of statistical information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual time spent on tasks of the Office of the Provincial Auditor for the year ended March 31, 2015, in accordance with the principles set out in the notes to the schedule of statistical information.

Virtus Group LLP

June 23, 2015
Regina, Saskatchewan

Chartered Professional Accountants

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Year Ended March 31

	Actual			Planned	
Employee time	**2013**	**2014**	**2015**	**2015**	**2016**
Working hours	84%	85%	85%	85%	84%
Vacation leave and statutory holidays [1]	14%	13%	13%	13%	14%
Sick leave	2%	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	70% [2]	72% [2]	71% [2]	69%	69%
Support services	11%	11%	11%	11%	11%
Office administration	11%	11%	12%	12%	12%
Training	8% [2]	6% [2]	6% [2]	8%	8%
Total work hours	100%	100%	100%	100%	100%
Total full time equivalent positions	61	61	61 [3]	62	62

(see accompanying notes)

Explanations of statistical differences in the use of employee time.

1 The Office provides vacation leave and statutory holidays similar to those provided to employees in the public service. Every four years there is one more statutory holiday (Easter) in the period (i.e., 2013 and 2016).

2 During 2013, 2014, and 2015, some management and specialized training was deferred to meet audit deadlines. In 2015, some specialized training was available via webinar or in Saskatchewan thereby decreasing travel time for training events.

3 This represents 58 full-time equivalent staff and 3 contracted full-time equivalents.

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Year Ended March 31, 2015

1. Purpose

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2013 to March 31, 2015 and planned percentages for these tasks for the years ended March 31, 2015 and 2016.

2. Definitions

Working Hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation Leave and Statutory Holidays – Vacation leave paid. It is based on years of service. Employees also receive paid provincial statutory holidays similar to those provided in the public service.

Sick Leave – Sick leave paid. The amount of paid leave is based on approved leave taken prior to being eligible for long term disability benefits.

Total Paid Hours – This is the total of working hours, vacation leave, statutory holidays, and sick leave. Employees must work a minimum of 1950 hours per year to receive full pay.

Audit Hours – This is the time spent on the audits set out in the **Schedule of Actual Costs to Audit Government Agencies**. Audit hours do not include the time spent on support services, office administration, and training.

Support Services – This is the time spent on accounting, computer maintenance and support, and other administrative support.

Office Administration – This is time spent on human resource activities, internal committees and working groups, office-wide and group planning activities, and time that does not fall within any other working hours task category.

Training – This is time spent on staff development, courses, and seminars. The time includes both employee attendance time and instructor time when our employees instruct our courses.

Full-time Equivalent Positions – Total paid hours divided by 1950 hours.

3. Time Allocation Policies

Employees and contract staff are required to record actual time spent on each task to the nearest quarter hour. Staff supervisors approve all time recorded. The Office uses the staff time information to pay employees and contract staff, and monitor productivity. The Office also uses this information to determine and monitor the costs to audit government agencies.

4. Planned Time

The percentages of planned time set out in the Schedule are those presented to the Standing Committee on Public Accounts in the **Schedule of Planned Time Spent on Tasks** in the Office's *Business and Financial Plans* for the related fiscal year.

Independent Auditors' Report on the Schedule of Performance Information for Key Performance Measures

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Performance Information for Key Performance Measures of the Office of the Provincial Auditor reporting management's progress in achieving stated objectives and performance targets for the year ended March 31, 2015, which is prepared in accordance with the reporting principles set out on page 32 of the Annual Report on Operations.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with the reporting principles set out on page 32 of the Annual Report on Operations, and for such internal control as management determines is necessary to enable the preparation of performance information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of reporting principles used and the reasonableness of significant judgments made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule presents fairly, in all material respects, the Office of the Provincial Auditor's progress towards achieving stated objectives and performance targets in accordance with the reporting principles set out on page 32 of the Annual Report on Operations.

June 23, 2015
Regina, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

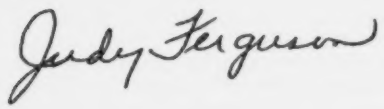
Management's Representation on the Schedule of Performance Information for Key Performance Measures

We prepared the performance information for key performance measures in accordance with the following principles:

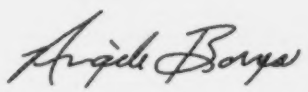
The performance information is relevant. It is related to stated objectives and performance targets and enables an assessment of our progress towards achieving the objectives and targets. It shows how we achieved the results and how we measured our progress towards the performance targets.

The performance information is reliable. It is based on data that are accurate, complete, and available over a long period of time and at a reasonable cost. It is derived from data that is fair and unbiased and capable of being replicated by independent and knowledgeable observers.

The performance information is understandable. It provides the level of detail needed to enable a proper understanding of performance and is limited to a key set of performance measures that are comparable over time and aggregated at appropriate and meaningful levels.



Judy Ferguson, FCPA, FCA
Provincial Auditor



Angèle Borys, CPA, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 23, 2015
Regina, Saskatchewan

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF PERFORMANCE INFORMATION FOR KEY PERFORMANCE MEASURES

For the Year Ended March 31, 2015

Stakeholders (Clients)

Goal

Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan.

Objectives:

- Our stakeholders value our assurance and advice on the reliability of financial statements, compliance with authorities, and the effectiveness of internal control and information systems.
- Our stakeholders value our assurance and advice to strengthen the effectiveness and sustainability of agency processes, programs and services, and the safeguarding of public resources.
- Our stakeholders value our assurance and advice on the effectiveness and use of alternative service delivery models and alternative financing arrangements.
- Our stakeholders value our assurance and advice on the effectiveness of regulatory processes and operations.
- Our stakeholders value our advice on managing the key forces and trends affecting reporting practices in the public sector.

Targets	*2015 Results*	*Discussion*
Measure: The Government acts on the Office's recommendations.		
Government acts on 80% of the Office's recommendations that can be implemented within one year (Type 1) and Government acts on 80% of the Office's recommendations that can be implemented within five years (Type 2).	Type 1 – 91% (2014 – 92%) Type 2 – 96% (2014 – 97%)	Target met. Results for Type 1 recommendations are based on all recommendations that are more than one year old and do not involve major changes made in a five-year period (e.g., for 2015 – April 2010 to March 2015). Results for Type 2 recommendations are based on all recommendations that are more than five years old and involve major changes made in a 10-year period (e.g., for 2015 – April 2005 to March 2015).

—Audited—

Targets	2015 Results	Discussion
Measure: Agencies' value of and satisfaction with the Office's work.		
Post-audit feedback shows agencies acknowledge value of and satisfaction with the Office's work.	Agencies value and are satisfied with the Office's work (2014 – Agencies value and are satisfied with the Office's work)	Target met. Results are based on the responses to surveys sent to agencies during a five-year period (e.g., for 2015 – April 2010 to March 2015). For 2015, 54% of agencies responded to the 276 (2014 – 277) surveys sent (2014 response rate – 49%).

Organization

Goal

Continuously improve the overall effectiveness of our Office.

Objectives:

- We effectively allocate the resources of the Office to best serve the Legislature and Public.
- We perform our work in accordance with professional standards.

Targets	2015 Results	Discussion
Measure: Use of employee time is consistent with *Business and Financial Plan*.		
The Office uses employees' time consistent with planned times as set out in the annual *Business and Financial Plan*.	Employee time was used consistent with the 2015 plan (2014 – Consistent with 2014 plan)	Target met. Actual audit working hours are generally used consistent with planned. Refer to **Schedule of Actual Time Spent on Tasks**.
Measure: Proportion of time spent on performance work increases.		
Proportion of time spent on performance work increases year-over-year toward the *2012-2017 Strategic Plan* target of 20% of available audit hours.	20% actual (2014 – 19% actual)	Target met.

—Audited—

Targets	*2015 Results*	*Discussion*
Measure: Positive CCOLA Peer Reviews on the Office's work.		
CCOLA peer review results report that the Office's audit work complied with generally accepted auditing standards published by CPA Canada.	Not measurable for current year (2014 – Not measurable)	The Office participates in the CCOLA Inter-jurisdictional Peer Review Process every second year. No review was completed in 2015. The Office has asked to be reviewed in the fall of 2015.
Measure: Positive CPA Saskatchewan (formerly ICAS) Practice Inspection Reports on the Office's work.		
CPA Saskatchewan practice inspector's results report that the Office complied with professional standards and met the requirements for a Chartered Accountant Training Office (CATO).	See discussion (2014 – Not measurable)	The practice inspection process used by CPA Saskatchewan changed since the last practice inspection for the Office in 2012. As a result of the change in the practice inspection process, the Office plans to revise its measure and target in the future. The 2015 CPA Saskatchewan practice inspection did not identify any serious deficiencies, and identified some matters that require the Office's attention.
Measure: The audit opinions on the Office's public performance reports are unqualified (i.e., financial statements, compliance with *The Provincial Auditor Act*, the adequacy of financial controls, and the reliability of key non-financial performance indicators).		
The external auditor provides unqualified audit opinions on the Office's public performance reports and has no significant matters to report to the Assembly.	All audit opinions were unqualified (2014 – Unqualified reports received)	Target met. This Report includes the following unqualified audit opinions on the Office's: • Financial statements • Schedule of Actual Costs to Audit Government Agencies • Schedule of Actual Time Spent on Tasks • Schedule of Performance Indicators for Key Performance Measures • Effectiveness of its financial controls to safeguard public resources • Compliance with authorities

People, Learning, and Development

Goal

Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace.

Objectives:

- Ensure we have the right balance of skills, knowledge, and expertise to effectively deliver our products and services to our stakeholders.
- Maintain our status and abilities as a training office for legislative auditors.
- Continually improve our work environment.

Targets	*2015 Results*	*Discussion*
Measure: Employees' satisfaction with their working environment.		
Survey results show a positive level of satisfaction with the Office's working environment.	Employees are satisfied (2014 – Employees are satisfied)	Target met. Employees, through an annual survey, are asked to express their level of satisfaction with 11 key indicators of the Office's working environment.
Measure: Students' success in obtaining their professional designations.		
Majority of the Office's students successfully obtain their professional designation.	80% (2014 – 100%)	Target met. Results are based on the students that challenged the UFE (final exam for CA students).
Measure: Proportion of time spent on training.		
Time spent on training activities averages a minimum of 8% of available hours.	6% (2014 – 6%)	Target not met. During 2015, some management and specialized training was deferred to meet audit deadlines. Also in 2015, some specialized training was available via webinar or in Saskatchewan decreasing travel time for training events. Refer to **Schedule of Actual Time Spent on Tasks**.
Measure: Skill mix of auditor composition.		
At least 15% of professionals have a non-accounting designation or a designation in addition to an accounting designation.	31% (2014 – 30%)	Target met.

—Audited—

Resources

Goal

Provide relevant, reliable, and timely products and services at a reasonable cost.

Objectives:

- Our Stakeholders understand and value what we do.
- We have the resources to access the competencies necessary to respond to the risks faced by our stakeholders.

Targets	*2015 Results*	*Discussion*
Measure: Approval of annual *Business and Financial Plan*.		
The Standing Committee on Public Accounts (PAC) approves the Office's annual *Business and Financial Plan* as presented.	Approved with revisions. (2014 – Approved)	Target not met. The Standing Committee on Public Accounts reduced the budget presented in the Office's *2016 Business and Financial Plan* by 1%. The reduction was consistent with the budget reduction of all the other legislative officers.
Measure: Assembly's acceptance of the Office's recommendations.		
The Standing Committees on Public Accounts (PAC) and Crown and Central Agencies (CCAC) accept 90% of the Office's recommendations that they consider and report on to the Assembly.	100% (2014 – 100%)	Target met. The results are based on recommendations reported on by each Standing Committee over the last five-year period (e.g., for 2015 – April 2010 to March 2015). The last report of PAC was tabled on September 6, 2011. The last report of CCAC was tabled on August 23, 2007.

Public and Social

Goal

Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan.

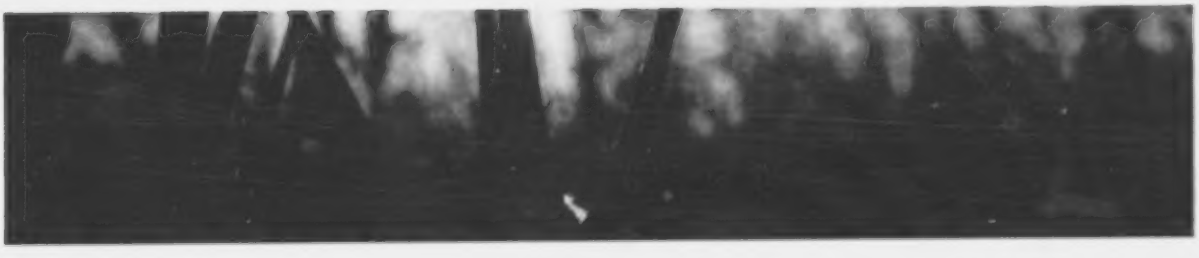
—Audited—

Objectives:

- Communicate in a clear, accessible, and timely manner to enhance the public's awareness of the value of the work completed by the Office.
- Advance our professional relationship with public sector and professional organizations.
- Support the development and sharing of best practices in our professions.

Targets	*2015 Results*	*Discussion*
Measure: Public awareness of the Office.		
The public's awareness of the Office is at least consistent with the 2013 benchmark where 28% of respondents indicated some familiarity with the Office.	32% of respondents were somewhat or very familiar with the Office (2014 – 31%)	Target met. In 2015, the Office participated in an Omnibus survey of 800 Saskatchewan residents that asked how familiar they were with the Office of the Provincial Auditor.
Measure: Leadership roles employees held on provincial and national committees.		
The Office supports staff participation on relevant provincial and national committees.	During 2015, 14 staff were involved in 20 national and 6 provincial committees/boards (2014 – 16 staff were involved in 22 national and 10 provincial committees/boards)	Target met.

Financial Performance



Financial Discussion and Analysis

Introduction

The following financial discussion and analysis should be read with our audited financial statements and our audited schedule of actual costs to audit government agencies.

The financial discussion and analysis provides reasons for significant differences between our actual expenses as compared to budget and to the prior year. Our audited schedule of actual costs to audit government agencies compares our actual costs to planned and provides reasons for key differences.

	Difference Between 2015 Actual and 2015 Budget	Difference Between 2015 Actual and 2014 Actual
Operating Expense	$ in thousands	
Salaries	$ (195)	$ 34
Employee benefits	(57)	(44)
Facilities and equipment	14	(1)
Administration	(17)	(20)
Agent and advisory services	10	(7)
Training and development	(10)	36
Total operating expense	**$ (255)**	**$ (2)**

Comparison of 2015 Results to Planned (Budget)

The Legislative Assembly funds the activities of the Office. For the 2015 fiscal year, the Legislative Assembly approved an appropriation for the Office of $8,205 thousand and a contingency appropriation of $547 thousand (vote 28). Our *2015 Business and Financial Plan* sets out the basis for the Office's budget. The 2015 budget was based on 62 full-time equivalent (FTE) positions comprised of 60 salaried FTE positions and 2 contracted FTE positions.

Total 2015 operating expenses of $7,953 thousand were $255 thousand less than planned. The key reasons for the difference are as follows:

- **Decrease in salaries of $195 thousand** – Lower than planned staffing levels in 2015 (actual 2015 salaried positions was 58 FTE as compared to budgeted 60 FTEs).
- **Decrease in employee benefits of $57 thousand** – The decrease in salaries as noted above reduced salary-based benefit premiums. Also, fewer staff received parental leave benefits than anticipated.

Comparison of 2015 Results to Prior Year

Total 2015 operating expenses of $7,953 thousand were $2 thousand less than prior year. The key reasons for the difference are as follows:

- **Increase in salaries of $34 thousand** – Mainly due to the general salary increase of 1.25% effective April 1, 2014 somewhat offset by the retirement of two staff in 2015 who held senior positions.

- **Decrease in employee benefits of $44 thousand** – Mainly due to fewer staff receiving parental leave benefits in 2015 compared to 2014.

- **Increase in training and development of $36 thousand** – Mainly due to an increased enrollment in the Chartered Professional Accountant Professional Education Program in 2015. Also, fewer training events were attended by staff in 2014.

The transfer to the General Revenue Fund of $839 thousand includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

Comparison of 2015 Costs to Audit Government Agencies to Planned

The Office's costs to audit government agencies is directly influenced by the types and amounts of revenues and expenses of the Government, the number of government agencies, the quality of the Government's and its agencies' records, the cooperation that the Office receives, and the nature and extent of changes in professional standards.

In 2015, the Office was involved in the audits of 256 agencies for a total cost of $7,763 thousand as compared to planned costs of $8,205 thousand.

As noted in the audited **Schedule of Actual Costs to Audit Government Agencies**, the Office completed most 2015 audits within the planned costs as set out in its *2015 Business and Financial Plan*. Footnotes to the schedule include reasons for differences between 2015 actual costs and planned costs greater than $75 thousand.

Effectiveness of Financial-Related Controls and Compliance With Authorities

For all government agencies, the Office reports on the effectiveness of their processes to safeguard public resources, prepare reliable financial reports, and comply with the law. These types of assurances (audit reports) are important to legislators and the public.

To provide the legislators and the public with this assurance on the Office, the Office includes in this Report the reports of the Office's auditor on the effectiveness of the Office's financial management processes and compliance with the law. The **Independent Auditors' Report on Effectiveness of Financial-Related Controls** indicates the Office's controls are effective. **The Independent Auditors' Report on Compliance with Authorities** indicates that the Office complied with the provisions of *The Provincial Auditor Act*.

List of Payees

Consistent with the Legislative Assembly's expectation that all government agencies provide a list of persons who have received money, the **Additional Information** section of this report includes a list of persons who provided goods and services over $50 thousand to the Office.

Management's Responsibility for the Financial Statements

The accompanying financial statements, included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2015, are the responsibility of management of the Office. Management has prepared the financial statements in accordance with Canadian public sector accounting standards. Management is responsible for the reliability and integrity of the financial statements and other information contained in the Annual Report on Operations. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

The Office maintains a comprehensive system of internal control including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates incompatible duties. It has designed its system of internal controls to provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The effectiveness of the Office's controls over safeguarding public resources and its compliance with legislative authorities have been audited by Virtus Group LLP. Virtus Group LLP has also audited the financial statements.

Their reports to the Members of the Legislative Assembly, stating the scope of their examinations and opinions, are included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2015.

Judy Ferguson, FCPA, FCA
Provincial Auditor

Angèle Borys, CPA, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 23, 2015
Regina, Saskatchewan

Independent Auditors' Report on the Financial Statements

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Office of the Provincial Auditor which comprise the statement of financial position as at March 31, 2015, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2015, and the results of its operations, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

June 23, 2015
Regina, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

—Audited—

Statement 1

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2015	2014
Financial assets		
Cash (Note 3)	$ 982	$ 484
Accounts receivable	3	123
	985	607
Liabilities		
Accounts payable	107	43
Accrued vacation pay	44	43
Due to the General Revenue Fund	834	521
	985	607
Net debt	-	-
Non-financial assets		
Tangible capital assets (Note 4)	97	108
Prepaid expense	56	80
	153	188
Accumulated surplus	$ 153	$ 188

(See accompanying notes)

—Audited—

Statement 2

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

	2015		2014
	Budget (Note 5)	Actual	Actual
Revenue			
General Revenue Fund			
Appropriation	$ 8,205	$ 8,215	$ 7,948
Contingency Appropriation	547	537	509
Other	6	5	5
Total revenue	8,758	8,757	8,462
Expense			
Salaries	5,579	5,384	5,350
Employee benefits (Note 6)	990	933	977
Facilities and equipment	716	730	731
Administration	426	409	429
Agent and advisory services	322	332	339
Training and development	175	165	129
Total operating expense	8,208	7,953	7,955
Transfer to General Revenue Fund (Note 7)	553	839	526
Total expense	8,761	8,792	8,481
Annual surplus (deficit)	$ (3)	(35)	(19)
Accumulated surplus, beginning of year		188	207
Accumulated surplus, end of year		$ 153	$ 188

(See accompanying notes)

—Audited—

Statement 3

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31
(thousands of dollars)

	2015	2014
Annual surplus (deficit)	$ (35)	$ (19)
Acquisition of tangible capital assets	(35)	(47)
Amortization of tangible capital assets	46	56
	11	9
Acquisition of prepaid expenses	(56)	(80)
Use of prepaid expenses	80	90
	24	10
(Increase) decrease in net debt	-	-
Net debt, beginning of year	-	-
Net debt, end of year	$ -	$ -

(See accompanying notes)

—Audited—

Statement 4

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

	2015	2014
Operating transactions		
Cash received from:		
General Revenue Fund		
Appropriation	$ 8,215	$ 7,948
Contingency appropriation	537	509
Other	5	5
	8,757	8,462
Cash paid for:		
Salaries	5,382	5,370
Supplies and other	2,842	3,235
	8,224	8,605
Cash (used in) provided by operating transactions	533	(143)
Capital transactions		
Cash used to acquire tangible capital assets	(35)	(47)
Cash applied to capital transactions	(35)	(47)
Increase (decrease) in cash	498	(190)
Cash, beginning of year	484	674
Cash, end of year (Note 3)	$ 982	$ 484

(See accompanying notes)

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2015

1. General Information

The Provincial Auditor Act establishes the Office of the Provincial Auditor. The Office is part of the Legislative Branch of Government. The Office:

- Examines the administration of government programs and activities carried out by government ministries, health and education institutions, commissions, boards, and Crown corporations
- Reports the results of examinations to the Legislative Assembly and the public
- Helps the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's reports, the Public Accounts, and other reports

2. Summary of Accounting Policies

The Office uses Canadian public sector accounting standards to prepare its financial statements. A statement of remeasurement gains and losses has not been presented in these financial statements because all financial instruments are measured at amortized cost. The following accounting principles are considered to be significant.

(a) Revenue

The appropriation from the General Revenue Fund is recorded when authorized by the Legislative Assembly.

Other revenue consists of bank interest, which is recorded when earned.

(b) Transfer to General Revenue Fund

The Provincial Auditor Act requires that all fees charged and other revenues received by the Office be deposited to the General Revenue Fund. The Act also requires that any unspent appropriations, as determined using the expenditure basis of accounting, be returned to the General Revenue Fund.

(c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years

(d) Financial Instruments

The Office's financial instruments include accounts receivable, accounts payable, accrued vacation pay, and due to the General Revenue Fund. All financial instruments are carried at amortized cost, which approximates fair value due to their immediate or short-term maturity. These instruments have no significant exposure to interest rate, credit, or liquidity risks.

3. *Cash*

Cash consists of interest-bearing money on deposit with the bank. The interest rates ranged from 0.35% to 0.50% during the year.

4. *Tangible Capital Assets*

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office.

	2015 (000's)			2014 (000's)
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs	$ 504	$ 361	$ 865	$ 843
Additions during the year	23	12	35	48
Disposals during the year	(73)	(17)	(90)	(26)
Closing cost	454	356	810	865
Opening accumulated amortization	483	274	757	726
Annual amortization	27	19	46	57
Disposals	(73)	(17)	(90)	(26)
Closing accumulated amortization	437	276	713	757
Net book value	$ 17	$ 80	$ 97	$ 108

Annual amortization is included in facilities and equipment expense in the Statement of Operations.

5. *Budget*

The budget shown in the Statement of Operations is presented using the expense basis of accounting.

Under *The Provincial Auditor Act*, the Standing Committee on Public Accounts is charged with the review and approval of the Office's funding request (appropriation and contingency appropriation).

The Standing Committee on Public Accounts approved on January 13, 2014, the Office's funding request of $8,752 thousand that was prepared using the expenditure basis of accounting.

The 2015 Budget and Actual using the expenditure basis of accounting are as follows:

	2015 (000's)	
	Budget	Actual
Revenue		
General Revenue Fund		
Appropriation	$ 8,205	$ 8,215
Contingency Appropriation	547	537
Other	6	5
Total revenue	8,758	8,757
Expenditure		
Salaries	5,579	5,384
Employee benefits	990	936
Facilities and equipment	713	716
Administration	426	406
Agent and advisory services	322	332
Training and development	175	144
Total operating expenditure	8,205	7,918
Transfer to General Revenue Fund (Note 7)	553	839
Total expenditure	8,758	8,757
Excess of revenue over expenditure	$ -	$ -

6. *Employee Future Benefits*

The Office participates in a defined contribution pension plan: The Public Employees Pension Plan. The Office's financial obligation to the plan is limited to contributions of 7.5% of employees' salaries for current service. The Office's annual pension expense for 2015 of $411 thousand (2014 – $407 thousand) is included in employee benefits.

The Office also participates in The Public Employees Disability Income Plan. The Office's financial obligation to the plan is limited to contributions of 2.14% of employees' salaries for current service. The

Office's annual expense for 2015 of $108 thousand (2014 – $90 thousand) is included in employee benefits.

7. Transfer to General Revenue Fund

The $839 thousand transfer (2014 – $526 thousand) includes the Office's unspent appropriations of $834 thousand and other revenue (i.e., bank interest) of $5 thousand.

8. Commitments

In 2011-12, the Office entered into a new 10-year lease commencing April 1, 2012, for its accommodations. Annual lease payments are $488 thousand before escalation adjustments.

For the following fiscal years, the Office is also committed to make future annual payments for operating leases of:

2016	$ 80 thousand
2017	$ 44 thousand

9. Changes in Accounting Standards

The new accounting standard of the Public Sector Accounting Board (PSAB): PS 3260 Liability for Contaminated Sites was effective April 1, 2014. This standard had no impact on the Office's financial statements.

10. Future Changes in Accounting Standards

A number of new standards and amendments to standards issued by PSAB are not yet effective and have not been applied in preparing these financial statements.

The Office plans to adopt the following new or amended standards on their effective date and is currently analyzing the impact these may have on the financial statements.

- Public Sector Handbook Introduction (effective January 1, 2017)
- Related Party Disclosures (effective April 1, 2017)
- Assets (effective April 1, 2017)
- Contingent Assets (effective April 1, 2017)
- Contractual Rights (effective April 1, 2017)

The Office has assessed that the following new or amended standards will have no effect on the financial statements.

- Inter-Entity Transactions (effective April 1, 2017)
- Restructuring Transactions (effective April 1, 2018)

Independent Auditors' Report on the Schedule of Actual Costs to Audit Government Agencies

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Costs to Audit Government Agencies of the Office of the Provincial Auditor for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies of the Office of the Provincial Auditor for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

June 23, 2015
Regina, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

For the Year Ended March 31
(thousands of dollars)

	2015		2014
Government Agency	**Planned Costs**	**Actual Costs (Note 4)**	**Actual Costs (Note 4)**
Executive Council	$ 17	$ 21	$ 20
Legislative Assembly	106	103	102
Ministry of Advanced Education	966	864	1,171
Ministry of Agriculture	263	243	344
Ministry of Central Services	207	172	203
Ministry of the Economy	390	371	407
Ministry of Education	727	702	541
Ministry of Environment	281	270	274
Ministry of Finance	900	754	806
Ministry of Government Relations	214	209	268
Ministry of Health	1,232	1,162	1,179
Ministry of Highways and Infrastructure	106	98	93
Ministry of Justice	394	384	469
Ministry of Labour Relations and Workplace Safety	22	19	28
Ministry of Parks, Culture and Sport	225	237	211
Ministry of Social Services	218	191	168
Public Service Commission	70	64	40
SaskBuilds Corporation	52	112	9
Crown Investments Corporation of Saskatchewan	87	57	115
Saskatchewan Gaming Corporation	43	32	39
Saskatchewan Government Insurance	125	105	66
Saskatchewan Liquor and Gaming Authority	207	201	201
Saskatchewan Opportunities Corporation	19	12	9
Saskatchewan Power Corporation	198	170	76
Saskatchewan Telecommunications Holding Corporation	70	37	65
Saskatchewan Transportation Company	10	7	8
Saskatchewan Water Corporation	21	11	19
SaskEnergy Incorporated	70	42	50
Workers' Compensation Board	45	26	33

—Audited—

Government Agency	Planned Costs		Actual Costs (Note 4)		2014 Actual Costs (Note 4)	
		2015				2014
Government-wide, Sectoral, and Special issue work	335		275		183	
Legislative Committees and Public Reports	585		463	[1]	601	
	$ 8,205		$ 7,414		$ 7,798	
Estimated costs to complete audits not complete at March 31, 2015 (Note 3)	-		349		-	
TOTAL COSTS	$ 8,205		$ 7,763		$ 7,798	

(See accompanying notes)

Explanation of differences between 2015 actual costs and planned costs greater than $75 thousand (in thousands of dollars):

[1] **Ministry of Advanced Education** – In 2015, the Office's actual costs were $102 less than planned because of the following: Estimated costs to complete all of the Office's work are $63 resulting in a difference of $39.

[2] **Ministry of Finance** – The Office's 2015 actual costs were $146 less than planned because of the following: Estimated costs to complete all of the Office's work are $15. In March 2014, the government decided to no longer issue audited financial statements for the General Revenue Fund (GRF) reducing the Office's 2015 costs by $16. Also in 2015, the Office decided to defer its work related to following up prior recommendations on the government's budgeting and financial reporting processes reducing costs by $35. The remaining decrease is the result of efficiencies in staff levels used and fewer audit issues requiring research for assorted audit work such as the Summary Financial Statements (including the General Revenue Fund), and various pension and benefit plans.

[3] **Legislative Committees and Public Reports** – In 2015, the Office's actual costs were $122 less than planned because of the following: Estimated costs to complete all of the Office's work are $2. In 2015, the Office's costs were reduced by $53 because there were fewer Crown and Central Agencies Committee meetings discussing our work than originally planned. Also, the Office's time spent to prepare and publish its 2015 reports was less than planned reducing costs by $67.

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

For the Year Ended March 31, 2015

1. Purpose

This schedule shows the Office's actual costs, up to March 31, 2015, of auditing the various agencies of the Government as compared to the prior year. The results of the Office's 2015 work is reported in its *2014 Report – Volume 2* and *2015 Report – Volume 1* reports tabled in the Legislative Assembly and available on its website. Also, each year, the Office sets out its Annual Work Plan in its *Business and Financial Plan* – **Schedule of Planned Costs to Audit Government Agencies** (Annual Work Plan).

2. Cost Allocation Policies

Government agencies have various fiscal year-ends (e.g., March 31, June 30, August 31, and December 31). Due to the nature of auditing, audit activity related to an agency occurs before and after its fiscal year-end. As such, while most do, not all audits start and finish within the Office's fiscal year. As a result, the Office's total annual operating expenditure is allocated to pay for portions of more than one Annual Work Plan.

Total Operating Expenditure is the total operating expenditure as reported in the audited financial statements for the related fiscal year. It reflects total costs incurred to March 31 in that fiscal year.

Each year, the Office allocates its total operating expenditure to the audit categories set out in its Annual Work Plan. It uses hours reported for each audit in approved employee time sheets as the basis of its allocation. It applies direct costs to their relevant audit agency and year. It determines cost-per-hour based on employee's pay and benefits and a portion of other costs (e.g., facilities and equipment, administration, training and development) allocated based on the planned time spent on audits (audit hours). Cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

Planned Costs shown on the schedules are the planned costs as presented to the Standing Committee on Public Accounts in the Annual Work Plan for the Office's 2015 fiscal year.

Actual Costs per government agency shown on the schedule are the sum of actual direct costs related to relevant audits plus the resultant of actual time (hours) spent by employees multiplied by cost-per-hour.

3. Additional Cost Information

At March 31, 2015, the Office estimated total costs to complete its 2015 Annual Work Plan would be $7,763 thousand based on estimated costs of $349 thousand to complete audits not done at March 31. At March 31, 2015, the 2014 Annual Work Plan was complete.

—Audited—

Actual	2015	2014
Average Cost-per-hour	$ 108.63	$ 108.00
Direct Costs (in thousands)	$ 168	$ 210

Average cost-per hour is the total operating expenditure for the year less direct costs divided by total hours for all employees for the year. Direct costs are costs other than salaries that are directly related to specific audits (e.g., travel).

4. Source of Funds

The following provides the amount of operating expenditure by fiscal year used to pay for the Annual Work Plan.

Fiscal Year Costs Incurred	Annual Work Plan 2015	Annual Work Plan 2014
	(in 000's)	
2016 (estimate)	$ 349	$ -
2015	5,904	403
2014	1,510	5,875
2013	-	1,520
Total Costs to Audit Government Agencies	**$ 7,763**	**$ 7,798**

Independent Auditors' Report on Effectiveness of Financial-Related Controls

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's control as of March 31, 2015 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

We used the control framework included in the *Guidance on Control* published by CPA Canada (control framework) to make our judgments about the effectiveness of the Office of the Provincial Auditor's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The control framework defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The Office of the Provincial Auditor's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We conducted our audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the Office of the Provincial Auditor's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In our opinion, based on the limitations above, the Office of the Provincial Auditor's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2015, based on the control framework.

This report is provided solely for the purposes of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 23, 2015
Regina, Saskatchewan

Chartered Professional Accountants

Independent Auditors' Report on Compliance with Authorities

To the Members of the Legislative Assembly of Saskatchewan

We have made an examination to determine whether the Office of the Provincial Auditor complied with the provisions of *The Provincial Auditor Act* pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2015.

Our examination was made in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of *The Provincial Auditor Act* during the year ended March 31, 2015.

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purposes. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

June 23, 2015
Regina, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

Independent Auditors' Report on Significant Matters

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2015

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated June 23, 2015.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

> To report matters that, in our judgement, are significant (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e., it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Governance and Management Control

- No reportable matters identified.

Systems Control

- No reportable matters identified.

Financial Statement Presentation and Disclosure

- No reportable matters identified.

Other Matters

- No reportable matters identified.

Detailed findings and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

June 23, 2015
Regina, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

Additional Information

List of Payees

Employee Earnings

List of employees earning $50,000 or more and their earnings for the year ended March 31, 2015.

Ahmad, Mobashar	$179,015	Mosley, Whitney	72,100
Anderson, Mark	153,842	Novakovski, Jade	72,100
Bachelu, Gaylene	61,000	O'Quinn, Carolyn	150,810
Borys, Angèle	177,054	Ortman, Matthew	56,062
Clemett, Tara	140,810	Pituley, Jonathan	79,000
Deis, Kelly	172,477	Rau, Brent	79,000
Dickin, Deann	88,558	Robertson, Jennifer	84,737
Dressler, Nicole	79,000	Rowe, Marisa	54,089
Drotar, Charlene	131,201	Russell, Stephanie	61,020
Ferguson, Judy	232,432	Schwab, Victor	140,810
Fink, Diana	71,738	Shaw, Jason	107,010
Halladeen, Aaron	91,210	Sommerfeld, Regan	138,944
Harasymchuk, William	131,987	St. John, Trevor	122,565
Heebner, Melanie	112,510	Stroh, Evan	79,000
Iles, Amanda	71,133	Sych, Larissa	83,150
King, Mark	67,020	Tomlin, Heather	88,558
Klassen, Linda	135,970	Volk, Rosemarie	150,810
Lefebvre, Jennifer	72,061	Wandy, Jason	113,217
Lindenbach, Michelle	112,510	Wolfond, Joshua	54,089
Lowe, Kimberley	138,944	Yanyu, Melissa	92,189
McIntyre, Mitchell	79,000	Yee, Ken	65,700
McKillop, Steven	54,089	Zerr, Jennifer	98,010

Suppliers

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2015.

FACT Computers (1998) Ltd.	$ 88,791
Jason Duran[1]	73,508
Institute of Chartered Professional Accountants of Saskatchewan (CPA Saskatchewan)	54,298
MNP LLP (Regina, Saskatoon)	74,844
S & U Homes (Chateau Tower)	485,792
Saskatchewan Blue Cross	65,070

[1] Information technology audit services.

Other Expenditures

List of statutory expenditures of the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2015.

Public Employees Dental Plan	$ 58,349
Public Employees Disability Income Plan	107,828
Public Employees Pension Plan	409,767
Receiver General for Canada – Canada Pension Plan	144,468
Receiver General for Canada – Employment Insurance	68,447
Workers' Compensation Board	50,897

Glossary of Terms

Agency – an entity of Government accountable for public money.

CCOLA – the Canadian Council of Legislative Auditors is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices, and professional development in legislative auditing.

CPA Canada – Chartered Professional Accountants Canada represents Canada's Chartered Professional Accountant profession both nationally and internationally.

Crown and Central Agencies Committee (CCAC) – the Standing Committee on Crown and Central Agencies considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, central government agencies, liquor, gaming, and all other revenue related agencies and entities.

General Revenue Fund – is the main fund that receives government revenue. The GRF is available for appropriation by the Legislative Assembly for the public services of Saskatchewan. The GRF financial statements account for transactions of the GRF.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

Measure – a factor chosen to monitor success in achieving objectives.

Mission – the broad, long-term purpose of an agency and its primary focus including the stakeholders to be served.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

Performance Audit – is a fair and impartial assessment that provides objective information about the performance of programs, activities, and functions, and when applicable, specifies about where improvements can be made and the likely impact of those improvements.

Public Accounts Committee (PAC) – the Standing Committee on Public Accounts scrutinizes the fiscal management, administration, and stewardship of public assets by the Government of Saskatchewan.

Strategy – the approaches that can be taken to meet objectives and achieve goals.

Summary Financial Statements – provide the consolidated financial position of the Government of Saskatchewan.

Vision – a brief description of the ideal state.